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Towards global partnerships

United Nations corporate partnerships: the role and functioning of the Global Compact

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly his comments on the report of the Joint Inspection Unit entitled "United Nations corporate partnerships: the role and functioning of the Global Compact" (JIU/REP/2010/9).

Summary

The report of the Joint Inspection Unit entitled "United Nations corporate partnerships: the role and functioning of the Global Compact" (A/66/137 and Corr.1) makes a number of recommendations as to steps that could be taken by Member States, the United Nations Secretariat and the Global Compact Office with a view to increasing the effectiveness of the Global Compact initiative. Overall, it is an important study that should be welcomed. Dialogue on the Global Compact, which now engages more than 7,000 business participants and other stakeholders from more than 135 countries, and on its nature and methods of engaging business is always appreciated.

The report makes a number of valuable points and includes robust recommendations, many of which have already been implemented or are in the process of being implemented. The report also anticipates a number of improvements that the Global Compact Board and the Global Compact Office were in the process of making during the period covered by the report or shortly thereafter.

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I. Introduction

1. The report of the Joint Inspection Unit entitled "United Nations corporate partnerships: the role and functioning of the Global Compact" (A/66/137 and Corr.1) covers the period from the inception of the initiative until April 2010, two months prior to the tenth anniversary of the Global Compact initiative and the Global Compact Leaders Summit 2010, which was held on 24 and 25 June 2010 and drew more than 1,300 representatives of Governments, the United Nations, business, civil society, academia and other stakeholders.

2. The stated objective of the review was to examine the role and degree of success of the Global Compact and the perceived risks associated with the use of the United Nations brand by companies that may benefit from their association with the Organization without having to prove their conformity with United Nations core values and principles. The report seeks to identify best practices, lessons learned and challenges ahead and makes recommendations that are intended to promote the effective, transparent and accountable management of the initiative.

3. Among other things, the report concludes that the Global Compact has succeeded in expanding significantly its constituency and multiplying its outreach activities to the private sector, contributing to legitimizing the Organization's engagement with the private sector over the years. It also calls for Member States to provide a clearer mandate for the initiative, and on the Secretary-General to better delineate the functions of the Global Compact Office.

II. General comments

4. The report is welcomed by the Secretariat. Constructive suggestions for how the Global Compact — the United Nations voluntary corporate sustainability initiative — can be made more effective are always appreciated. The initiative's mission of more sustainable and inclusive global markets is an ambitious one, and the opportunity for discussion around how to bring the initiative closer to achieving its twin objectives of integrating the 10 principles into business strategy and operations everywhere, and catalysing collective action and partnerships in support of United Nations goals is welcomed.

5. It is important to point out that, as Member States have themselves recognized, the Global Compact has a distinct networked form of governance in keeping with its public-private global-local nature. In General Assembly resolution 62/211, Member States acknowledged the special management, support, funding structure and position of the Global Compact within the United Nations system, which are specifically designed to reflect the diversity of its stakeholders. Member States also noted the activities of the Global Compact Office in this regard, and encouraged it to continue its efforts, in particular in continuing to share relevant lessons learned and positive experiences from partnerships.

6. The Global Compact Office is just a small part of the Global Compact initiative, which is multi-stakeholder in composition — meaning that its participants and stakeholders are from a wide variety of societal groups both locally and globally. It is not a corporate partnership in the usual sense of the term.

7. The perceived risk mentioned in the report associated with the fact that the initiative has both business and non-business participants is carefully managed. The initiative has its own logo, which is distinct from the United Nations logo, and maintains a strict logo policy that was developed with the Office of Legal Affairs of the Secretariat. Among other things, the policy makes clear that participating companies cannot use the United Nations brand. Even use of the Global Compact logo is reserved for official purposes only by the Global Compact Office. Only a modified version of the Global Compact logo that uses the words "We support the Global Compact" is available for participant use and even then prior approval must be sought and obtained. All uses of this logo are logged and any misuses are swiftly dealt with.

8. As a voluntary initiative that emphasizes learning, dialogue and collective action in support of United Nations goals, especially on development, the Global Compact is focused on mobilizing the private sector in partnership with other actors to help achieve the United Nations agenda and does not give privileged access to United Nations decision-making organs for either business or non-business participants. Rather, it projects the agenda of the United Nations outwards and works within the United Nations system to improve the integrity and decrease the potential reputational risk of partnership activities that other United Nations entities are increasingly engaged in across the Organization. It does this by promoting United Nations values and responsible business practices to the business community. This function was among the reasons why the Global Compact Office was asked by the Secretary-General to support the Deputy Secretary-General in the coordination of the process to revise the Guidelines on Cooperation between the United Nations and the Business Sector, which were recognized in General Assembly resolution 64/223. In that resolution, Member States took note with appreciation of efforts to streamline and update the United Nations guidelines for partnerships between the United Nations and the private sector, including through the approval of the revised Guidelines on Cooperation between the United Nations and the Business Sector, and invited the United Nations, when considering partnerships, to seek to engage in a more coherent manner with private sector entities that support the core values of the United Nations as reflected in the Charter and other relevant conventions and treaties and that commit to the principles of the Global Compact by translating them into operational corporate policies, codes of conduct and management, monitoring and reporting systems.

9. The time frame of the report, ending in the midst of preparations for a major international event, meant that many key outputs prepared for launch at the Global Compact Leaders Summit 2010 were not taken into account by the Inspectors. One of these was the 10-year anniversary edition of the *Global Compact Annual Review*, which included the results of the Global Compact annual implementation survey, the largest corporate sustainability survey in the world, canvassing over 1,000 businesses from around the world. Based on data gathered by the Wharton School, it examined the impact of the Global Compact by benchmarking performance changes among business participants. It and the *Global Compact Annual Review 2010*, which was published in May 2011, also disclose much of the information, including on integrity measures and financing, on which the Joint Inspection Unit calls for greater transparency. The many assessments, principles, tools and guidance, and best practice compilations released at the Summit are available from

www.leaderssummit2010.org/sitecore/content/be-bruga/leaderssummit2010/programme/new%20resources.aspx.

10. Finally, it should be noted that, over the past 10 years, the Global Compact Office, the initiative's more than 100 country networks, and its platforms for investors and educators have mobilized thousands of businesses to take action in support of United Nations goals and undertake hundreds of projects to alleviate poverty and advance other United Nations priorities. One of the most recent examples of such efforts was the work carried out by the Global Compact Office to mobilize the private sector in support of sustainable development in least developed countries in the context of coordination of the private sector track for the Fourth United Nations Conference on the Least Developed Countries in Istanbul in May 2011. In recognition of efforts such as these, the General Assembly has previously encouraged the Global Compact to continue its activities as an innovative public-private partnership to advance United Nations values and responsible business practices within the United Nations system and among the global business community (resolution 64/223).

III. Comments on specific recommendations

Recommendation 1

The General Assembly should set a clear mandate for the Global Compact Office at its sixty-sixth session and request the Secretary-General to publish within one year a bulletin outlining its functions in accordance with the mandate entrusted to it.

11. This is within the purview of the General Assembly. If Member States decide to articulate the mandate of the Office in clearer terms in a resolution, the Secretariat will proceed with the necessary administrative arrangements to make this effective. It should be noted that, by the series of resolutions adopted under the item entitled "Towards global partnerships", Member States have expressed their support for the Global Compact in progressively more detail and tasked the Global Compact Office with a range of functions. In resolution 64/223, Member States recognized the vital role the Global Compact Office continues to play with regard to strengthening the capacity of the United Nations to partner strategically with the private sector in accordance with its General Assembly mandate. They also encouraged the Global Compact to continue its activities to advance United Nations values and responsible business practices inside and outside the United Nations system, including through an increased number of local networks, and acknowledged the positive contribution of the Global Compact and its 10 principles in the promotion of responsible business practices.

Recommendation 2

The General Assembly should request the Global Compact Office to prepare and submit a long-term strategic framework for its consideration without delay. Such framework should outline the long-, medium-, and short-term objectives of the Office, in accordance with the mandate entrusted to it.

12. This is within the purview of the General Assembly. It should be noted that the Office already has a three-year strategy (2011-2013) and had a three-year strategy

prior to that (2008-2010). The Global Compact Office also prepares an annual activity plan. These documents are available for review by Member States.

Recommendation 3

The Secretary-General should, as previously proposed, regroup the Global Compact Office and the United Nations Office for Partnerships under one umbrella, building on their complementarities and distinctive roles, and clearly delineate their respective responsibilities, jurisdiction, monitoring tools and reporting requirements so that the Global Compact Office can focus on the implementation of the 10 principles by businesses, and the United Nations Office for Partnerships on developing United Nations business partnerships and related capacities.

13. In the context of ensuring efficiency and effectiveness within the United Nations system, a number of ideas regarding how to integrate some of the functions of the United Nations Office for Partnerships into the Global Compact Office are beginning to be discussed. Upon the finalization of the consultation process the Secretary-General will take the corresponding decision on this matter.

Recommendation 4

The Global Compact Office should seek to adopt, after consultation with all stakeholders, a policy decision on the composition of participants by category and geographic region, in order to ensure an appropriate balance between the number of Global Compact participants and qualitative representation, and reinforce the universal application and relevance of the 10 principles.

14. Consistent with its United Nations character, the Global Compact has always aspired, and continues to aspire, to have a diverse geographic distribution of participants so as to reinforce the universal applicability and relevance of the 10 principles. The initiative's 100 country networks, most of which are in developing countries and emerging markets, and the fact that participants and stakeholders hail from more than 135 countries are a testament to this. Furthermore, participants and stakeholders are evenly split between those based in developing countries or emerging markets, and those based in developed markets. The New York Declaration adopted at the Global Compact Leaders Summit 2010 outlines the target of 20,000 participants by 2020 (see www.unglobalcompact.org/docs/news_events/9.1_news_archives/2010_06_25/LeadersSummit_NY_Declaration.pdf). The value the initiative places on diverse geographic participation is also explicitly reflected in the terms of reference for the Global Compact Board and the initiative's issue working groups, as well as in the agenda of its major events.

15. It should be noted that, as a voluntary initiative that cannot compel participation, the Global Compact is not in a position to control the exact composition of participants.

Recommendation 5

The General Assembly should call for the institution of a selection process in which business and non-business applicants are screened against pre-set entry criteria, so as to mitigate brand management risk and enhance the Office's accountability for accepting new participants in the Global Compact initiative.

16. This is within the purview of the General Assembly.

17. It should be noted that, for the past few years, the Global Compact has already been screening potential business and non-business participants in two ways. Potential participants are first screened using a global database to identify possible reputational concerns; and the results are then shared with the relevant local network. The local network is then asked whether there is any reason why the entity should not be permitted to join the initiative. Local networks play an increasingly important role in the implementation of the Global Compact's integrity measures, and some business and non-business entities are denied entry to the initiative as a result of this screening process.

18. However, for a United Nations initiative that seeks to be truly global and inclusive, as well as to promote learning and dialogue around the world, a barrier for entry that is too high may limit the participation of interested entities that might bring major contributions to the initiative.

Recommendation 6

The Secretary-General, in his capacity as Chair of the Global Compact Board, should submit to the consideration of the Board concrete measures to reinforce accountability in the implementation of the integrity measures, including (a) closer scrutiny of communications on progress by local networks and civil society; (b) type and frequency of monitoring of communications on progress by the Global Compact Office; (c) submission of communications on progress by non-business participants; and (d) more proactive and transparent handling of complaints.

19. This recommendation is already being implemented on an ongoing basis. One of the main functions of the Global Compact Board set out in its terms of reference is oversight of implementation of the initiative's integrity measures. In recognition of this, integrity measures are a permanent item on the agenda of its meetings. In preparation for the discussion, in advance of each meeting, the Board members receive a report prepared by the Global Compact Office on the implementation of the integrity measures since the previous meeting. It regularly includes for the Board's consideration proposals on how to reinforce the accountability of participants for their implementation of the principles. The report also includes a special supplement reporting on the handling of matters raised under the initiative's dialogue facilitation mechanism. At their meetings, the Board members review the report and the supplement, discuss progress, consider proposals and make decisions on strategy and policy in respect of integrity measures, which the Global Compact Office then implements.

Recommendation 7

The Global Compact Office should put in place a robust funding strategy that addresses the need to increase and diversify contributions from Member States, and to achieve more balanced public and private funding so as to enhance effectiveness, transparency and accountability.

20. The strategy already exists. More funding from a diverse number of Member States would be very welcome. The challenge is its implementation in the current difficult financial times. The goal of 50-50 public-private funding has previously been endorsed by the Donor Group. At their meeting in May 2011, the members of the Donor Group indicated that they were satisfied with the current balance of public and private funding and would not be concerned even if the proportion of private funding came to exceed the level of public funding. The *Global Compact Annual Review 2010* discloses financial information about public and private funding raised by the initiative.

Recommendation 8

The General Assembly should request the Secretary-General to ensure that the flexible application of existing United Nations rules and procedures, with regard to the special management, support, funding structure and position of the Global Compact, is accompanied by appropriate transparency and accountability safeguards. In particular, the Global Compact Office should be required to include in its annual review information on its total budget requirements, actual staffing and all income and expenditure incurred on behalf of the Office under the Trust Fund and the Foundation for the Global Compact.

21. The Executive Office of the Department of Management provides support to the Global Compact in the Executive Office of the Secretary-General in carrying out the financial, personnel and general administrative responsibilities delegated by the Under-Secretary-General for Management in accordance with the Secretary-General's bulletin on the organization of the Secretariat of the United Nations (ST/SGB/1997/5). This office ensures compliance with all United Nations regulations, rules and procedures. The Foundation for the Global Compact is a separate entity under New York State and United States Federal law. Its accounts are audited and published in accordance with those requirements. In addition, the names of Foundation contributors are published on the Foundation's website and in the *Annual Review*. The *Annual Review* also publishes the names of the countries that have contributed to the Trust Fund.

Recommendation 9

The Global Compact Office should devise a plan of action to provide local networks with more effective guidance on how to achieve self-reliance and ownership in implementing the 10 principles, taking into account their various needs, including language diversity.

22. This recommendation has already been implemented. Local networks are recognized as of key strategic and operational importance to the initiative. They are a priority area of the 2011-2013 strategy and of the Activity Plan every year. They were also a priority of the 2008-2010 strategy. The Annual Local Networks Forum — the annual convening of local network focal points and representatives

from around the world — and regional convenings of local networks always include sessions on building a variety of capacity-building skills. An online knowledge management system has been introduced along with a social network to enable local networks to share and exchange best practices among themselves. A manual has also been prepared to guide them on all aspects of their establishment and operations.

Recommendation 10

The Global Compact Office should ensure a better balanced geographic presence and a more coherent approach to the work of the global/regional support centres in order to create synergies between its global and local structures, and enhance cooperation and coordination among these centres and between the regional centre and networks within the same region.

23. In some cases, such centres have been fruitful. In other cases, less so. Funding of the centres has also proved to be a challenge. Regional centres are still a fairly new phenomenon and it is too early to tell whether there is a one-size-fits-all approach and what role they can play to most effectively support and not duplicate the efforts of local networks. One to two more years are needed for the Global Compact Office to be in a position to assess their impact.

Recommendation 11

The Global Compact Office should focus on developing global partnerships to promote the implementation of the 10 principles and review them periodically in order to disseminate best practices and lessons learned.

24. This recommendation is already implemented. The Global Compact Office has always worked closely with a wide variety of partner organizations with expertise relating to the 10 principles. Such organizations already play a crucial role in the initiative. The strategy 2011-2013 names a number of such partner organizations, both inside and outside the United Nations system, across all issue areas addressed by the Global Compact.

Recommendation 12

The Secretary-General should reinstate the advisory role of the Inter-Agency Team.

25. The advisory role of the Inter-Agency Team is intact. The Team meets at least twice per year. In addition, the Global Compact Office engages on a regular and ongoing basis with individual members of the Team in the areas that are most relevant to their particular mandate and interests.

Recommendation 13

The Secretary-General should encourage local networks to nominate candidates to the Global Compact Board.

26. This recommendation is already implemented. Local networks are already consulted by the Global Compact Office on behalf of the Board Nominations Committee as part of the Board nomination process. Reflecting the importance of local networks to the initiative, some of the Board members are even local network representatives.

Recommendation 14

The Secretary-General should propose to the General Assembly the participation of Member States representatives and small and medium-sized enterprises on the Global Compact Board.

27. The Secretary-General is open to having Member States represented on the Global Compact Board. In line with these efforts, other engagement opportunities between Member States and the Global Compact Board have been developed. For the past several years, for example, Ambassadors and the Board have convened for an exchange and working lunch with the Secretary-General in the context of each Board meeting. During the exchange, there is a report back on Board proceedings and Ambassadors have the opportunity to make interventions.

28. It should be also noted that the International Organization of Employers, which has a permanent seat on the Board as one of the representatives of employers, represents thousands of small and medium-sized enterprises around the world and ensures that their perspectives are reflected in Board discussions and decisions.

Recommendation 15

The Global Compact Office should include in its *Annual Review* a self-assessment of its performance in relation to approved objectives and indicators, as defined in its programme budget and mandate.

29. The Global Compact Office already includes this information in its annual report for donors and the United Nations Administration. Financial information was also included in the *Annual Review 2010* for the first time.

Recommendation 16

The Global Compact Office should periodically commission independent evaluations of the impact of its activities in relation to approved objectives and indicators, as defined in its programme budget and mandate.

30. This is already done and will continue to be done. At least three were conducted in the first several years of the initiative's existence, including one by the Office of Internal Oversight Services. In addition, a number of the deliverables for the aforementioned Leaders Summit 2010 included the results of such evaluations. The Global Compact annual implementation survey, conducted with the Wharton School, also allows for benchmarking and its results are drawn on in the *Global Compact Annual Review*, as well as in the Global Compact annual report, where the results are used to assess the Global Compact's performance against objectives and success indicators. In addition, a guided self-assessment midterm review was prepared during 2010 for, and to the satisfaction of, the initiative's donors.